



A BILL FOR AN ORDINANCE

RELATING TO SHORT-TERM RENTALS.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Findings and Purpose.

The Council finds that the illegal use of residential properties as short-term rental accommodations has caused discord in many communities and exacerbated the shortage of housing in the City. Some residential real property owners—including owners of fee simple or long-term leasehold interests—knowingly violate the ordinances that prohibit most short-term rentals, while other owners may not be aware that their short-term rental activity is illegal, or even regulated.

One mechanism to deter illegal short-term rentals would be an affirmative disclosure by a real property owner to a buyer on whether the property may or may not be used legally as a short-term rental. Such disclosure would provide more complete information to the buyer of the legal income-producing potential of the real property, and may curb some of the price inflation that may occur when dwelling units are marketed as income-producing investment properties instead of as dwelling units for City residents.

Accordingly, the purpose of this ordinance is to require an owner of residential real property to disclose to a potential buyer, prior to the sale of the property, certain information relating to the property's eligibility for use as a short-term rental.

SECTION 2. Chapter 41, Revised Ordinances of Honolulu 1990 ("Regulated Activities Within the City"), is amended by adding a new article to be appropriately designated by the Revisor of Ordinances and to read as follows:

"Article __. Residential Real Property Disclosure

Sec. 41-__.1 Definitions.

For purposes of this article, the following definitions apply unless the context clearly indicates or requires a different meaning:

"Bed and breakfast home" means the same as defined in Section 21-10.1.

"Department" means the department of planning and permitting.



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"Leasehold real property" means real property leased for a lease period of 15 years or more.

"Real estate purchase contract" means a contract, as it may be amended, by which a seller agrees to sell and a buyer agrees to buy residential real property, which includes a deposit, receipt, offer, acceptance, or other similar agreement for the sale or lease with option to buy residential real property.

"Residential real property" means fee simple or leasehold real property developed as a residence for people to live, or ownership of stock in a cooperative housing corporation.

"Seller" means the person selling residential real property for consideration.

"Short-term rental" means a bed and breakfast home or transient vacation unit.

"Transient vacation unit" means the same as defined in Section 21-10.1.

Sec. 41-___.2 Required disclosures.

- (a) Requirement. A seller of residential real property shall comply with the requirements of this section. These requirements are in addition to the disclosure requirements in HRS Chapter 508D.
- (b) Eligibility for use as a short-term rental. The seller shall obtain from the department a disclosure form stating whether the residential real property being sold is eligible to be used as a bed and breakfast home or transient vacation unit, and shall provide the form to the buyer within the time period specified in subsection (d). The department shall date the disclosure form.
- (c) Evidence of legal use as short-term rental. If the residential real property has been used as a short-term rental by the seller, the seller shall also provide the following to the buyer within the time period specified in subsection (d):
 - (1) The applicable government permit number, such as a nonconforming use certificate number, or short-term rental registration number; and
 - (2) Tax clearance certificates evidencing payment of general excise taxes and transient accommodation taxes owed to date.



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- (d) Time period for disclosure. Prior to the execution of a real estate purchase contract by the buyer, the seller shall deliver to the buyer the documents and information required under subsections (b) and (c).
- (e) Submittal to the department. Within seven days of the closing of the sale of the residential real property, the seller shall submit to the department a document identifying the subject property by street address and tax map key number, and containing a signed acknowledgment by the buyer that the buyer received the documents and information required under subsections (b) and (c) within the time period specified in subsection (d).

Sec. 41-___.3 Violation—Penalties—Enforcement.

- (a) A person violating the provisions of this article is guilty of a misdemeanor, and upon conviction is subject to a fine not exceeding \$2,000 or imprisonment for a term not exceeding one year, or both.
- (b) The provisions of Section 21-2.150-1(e) through (i) apply to the enforcement of this section."



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SECTION 3. This ordinance takes effect upon its approval.

INTRODUCED BY:

DATE OF INTRODUCTION:

JAN 11 2022

Honolulu, Hawai'i

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 _____.

RICK BLANGIARDI, Mayor
City and County of Honolulu